

**Village Power 2000 – Wrap-up Comments**  
**Louis Boorstin**

Pleasure to participate in this panel and indeed to attend the conference.

For those of you who aren't familiar with IFC, we are the member of the World Bank Group that **invests exclusively in private sector projects**. Our mission is quite similar to that of the World Bank but with a private sector twist: "To promotes private sector investment in developing countries which will **reduce poverty and improve people's lives**." Let me emphasize those two main objectives – reducing poverty and improving people's lives – and note that they are fully consistent with the objectives of Village Power 2000.

Let me also emphasize that IFC itself is **not** a provider of concessional funding. We invest in projects that are **commercially viable** and that promote **sustainable development**. Furthermore, our main role is to be a **catalyst** – in our last fiscal year, we approved \$3.5 billion of investments in 259 projects worldwide – but that \$3.5 billion catalyzed total project costs of over \$21 billion, for a leverage ratio of about 6-to-1. We provide debt, equity and other financial products at market rates.

As for renewable energy, IFC has approved investment of **\$180 million in 11 projects**, including six small scale hydro projects, several funds investing in small and medium renewable energy and energy efficiency projects, and direct investments in geothermal and biomass projects (but excluding large hydro and energy efficiency). Using resources totaling **\$75 million from the Global Environment Facility**, we have supported 4 renewable energy projects that are primarily funding off-grid ventures. These include the Photovoltaic Market Transformation Initiative, Renewable Energy and Energy Efficiency Fund, Small and Medium Enterprise Program and Solar Development Group. The GEF funding is concessional – but we use it in a highly targeted way, typically in a non-grant form that aims to be as close to commercial funding as possible.

But, as fascinating as these projects are, I'm **not** going to talk about them today – if you want more information, please let me or one of my colleagues know; information on our website and our email address is available at the booth in the atrium. Furthermore, if you have a proposal that needs financing, **please** let us know – that's what we do for a living.

Having said that, I should note that through our direct and GEF-funded projects, **IFC may have more money invested in *attempts* at commercially viable off-grid renewable energy projects than anyone in the world.** We are trying to identify the **business models** that will work and then finance the successful ones. **We take this business seriously** – and we want it to be a business.

Now, I really only have one thing to say – I agree with almost everything that Frank Tugwell said yesterday morning. We do **need to take a different approach** to this business if we're going to have any chance at reaching some of those 2 billion people without access to electricity.

I'll even go a step further than Frank did: **If we don't do a MUCH better job of using the power of the marketplace and the private sector, we have absolutely no chance of reaching the goals of this conference.** Let me repeat that.

What I'm calling for here – and what I think Frank and others are also recommending – is a **rationalization of the way subsidized funding is used to support sustainable energy programs.** I am not saying that it's time to get all the subsidies and concessional funding out of this business – we're not there yet. What I am saying is that **we need to use those funds much more wisely.**

I am going to propose 2 basic guidelines for policy makers, donors, and recipients to consider when contemplating the use of concessional funds:

- 1) Is a subsidy really needed? If so, is the type of concessional support being proposed **appropriately matched to the barrier which needs to be overcome?** Are you minimizing the use of concessional funds and maximizing the use of market rate funds?
- 2) Will the project or program you're about to fund **contribute to rational development of the marketplace?** That is, will it allow the marketplace to contribute as much as it can on its own under current conditions and will it help the marketplace to grow and take over the activities being funded as soon as possible in the future? This not an issue of just funding private-sector projects, but also very much an issue for the public sector – making sure that the public sector does not crowd out the private sector or distort the signals being sent to the marketplace.

These are deceptively simple propositions for several reasons. In many cases, there will be forces lined up with their own ideas of how best to use the money – for example, technology suppliers in developed countries who are looking for a quick subsidy to export their products. Or host governments with a desire to put a project on the ground in a particular region, regardless of its impact on the marketplace.

Furthermore, it is much harder to design projects this way than to simply provide grants. We know this from experience – IFC has pioneered the use of non-grant funding for GEF, and it takes considerably more effort and thought to put in place these types of projects.

That's the challenge – to **find a way to use the limited concessional funding in a MUCH more market-friendly way**. If we don't meet it, we will not be able to achieve the goals of this conference.

Thank you.

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